MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2017/2018

BAC4634 – CORPORATE ACCOUNTING II

(All sections / Groups)

1 JUNE 2018
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 6 pages (excluding the cover) with 4 Questions only.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please print all your answers in the Answer Booklet provided.

QUESTION 1

Sweet Bhd, a Malaysian listed company, acquired 70% of Simple Co Ltd ordinary shares on 1st January 2017. Simple Co Ltd is situated in Singapore.

On the date of acquisition, Simple Co Ltd had a credit balance in its retained profit of S$ 260,000. The functional currency of Sweet Bhd is Ringgit Malaysia while the functional currency of Simple Co Ltd is S$.

The financial statements for both companies are given below.

Statement of financial position as at 31 December 2017

	RM	S$
Property, plant and equipment		
Properties	440,000	500,000
Motor vehicles	860,000	126,000
Machineries	400,000	104,000
Investments in Simple Co Ltd	2,000,000	-
Current assets		
Bank	160,000	10,000
Accounts receivables	220,000	140,000
Inventory	300,000	450,000
	4,380,000	1,330,000
Ordinary share capital	3,200,000	670,000
Retained profit	790,000	380,000
Borrowing	260,000	150,000
Current liabilities		
Accounts payable	130,000	130,000
	4,380,000	1,330,000

Statements of Profit or Loss for the year ending 31 December 2017

	RM	S$
Revenue	2,500,000	2,150,000
Cost of Sales	2,140,000	1,470,000
Gross Profit	360,000	680,000
Expenses	100,000	390,000
Profit before tax	260,000	290,000
Taxation	100,000	170,000
Profit after tax	160,000	120,000

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Additional information:

Exchange rates	S$	RM
1 January 2017	1	3.00
31 December 2017	1	4.00
Average rate 2017	1	5.00

Required:

In accordance with the MFRS 121: *The effects of changes in foreign exchange rates*, prepare:

i) the consolidated statement of financial position of the group for the year ended 31 December 2017. (Round up your answer to the nearest Ringgit)

(15 marks)

ii) the consolidated statement of profit or loss account of the group as at 31 December 2017. (Round up your answer to the nearest Ringgit)

(4 marks)

iii) the exchange difference reconciliation. (Round up your answer to the nearest Ringgit)

(6 marks)

(Total: 25 marks)

QUESTION 2

Part A

Peace Berhad is a Malaysian listed company. The company manufactures and sells six different products and has several segments. They are reported internally as follows:

Operating segment	Revenue RM'000	Profit or loss RM'000	Total assets RM'000
Product K	24,000	10,000	120,000
Product L	88,000	16,000	220,000
Product M	26,000	(2,000)	100,000
Product N	18,000	(4,000)	150,000
Product O	32,000	4,000	40,000
Product P	12,000	3,400	20,000
	200,000	27,400	650,000

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Required:

In accordance with the MFRS 8: *Operating Segments*:

i) compute the reportable segments using the quantitative thresholds and 75% constraints. Interpret your computation.

(7 marks)

ii) present the extract of notes to the financial statement for the reportable segments.

(3 marks)

Part B

Purple Berhad, a Malaysian listed company, has an investment in quoted shares of Pink Berhad. The investment was acquired on 1 December 2016 at the quoted price of RM24,000. On the same date, Purple Berhad incurred transaction costs of RM1,200. Subsequently, on 31 December 2016, the market price was RM26,400. Purple Berhad disposed the investment on 12 January 2017 at RM30,200.

In accordance with the MFRS 9: *Financial Instruments*, prepare the journal entries using the assumption that Purple Berhad is categorizing the financial asset as:

i) fair value through profit or loss.

(8 marks)

ii) fair value through other comprehensive income.

(7 marks)

(Total: 25 marks)

QUESTION 3

Part A

Positive Berhad engages in the business of manufacturing and selling toys. The company is a Malaysian listed company. The financial year end is 31 December annually. Positive Berhad has the following extracts of carrying amount and tax bases at 31 December 2017:

	Carrying amount	**Tax base**
	RM'000	**RM'000**
Land	20,000	15,000
Motor vehicle	77,000	25,000
Equipment	204,000	156,000
Inventory	40,000	40,000
Trade receivables	7,400	8,000
Bank	53,000	53,000

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Trade payable	49,000	49,000
10% loan	20,000	21,000
Provision for deferred tax liability 1 January 2017	8,100	8,100
Revaluation reserve (land)	5,000	-

Additional information:

i) On 31 December 2017, Positive Berhad revalued land and some of the plant. Fair value of the land was RM5 million more than its carrying amount and the plant was RM30 million more than the carrying amount. The land is non-depreciable property. Real property gain tax is 5%. Positive Berhad does not intend to dispose the land.

ii) Positive Berhad provides for general provision for doubtful debts of 10%. Tax rule recognizes bad debts only.

iii) Positive Berhad raised a loan during the year and recorded it net of transaction costs. The transaction costs are allowable for tax in the year in which the loan is raised.

iv) Income tax had changed from 30% to 25%.

Required:

In accordance with MFRS 112: *Income Taxes*, evaluate the implications of the above financial information on the deferred tax for year 2017.

(10 marks)

Part B

Yellow Berhad is incorporated in Malaysia and engages in the business of cleaning service. The financial year end is 31 December annually. The tax rate is 24%.

At the beginning of year 2016, Yellow Berhad granted 100,000 options to the employees. The options will vest at the end of year 2017 and are exercisable from the beginning of year 2018. Fair value of the option was RM16.

The information on the number of options at year end and the intrinsic value per option is as follows:

Year	Number of options at year-end	Intrinsic value per option
2016	100,000	10
2017	100,000	18

Required:

In compliance with the MFRS 2: *Share-based Payments*, evaluate the implications of the above financial transactions on the deferred tax for year 2016 and 2017.

(15 marks)

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QUESTION 4

Part A

Life Saver Berhad, a Malaysian listed company, engages in the business of aquatic services. Each of the employee in the company is intensively trained to be a qualified life saver. To retain the employees from leaving the company, Life Saver Berhad offers a defined benefit plan for each employee.

As at 31 December, the accountants are furnished with the information from the administrators and the actuaries. The details are as follows:

	Year 2016	Year 2017
Fair value of plan assets	RM80,000	RM90,000
Present value of obligation	RM80,000	RM92,000
Current service cost 2017		RM7,720
Benefits paid at the end of the period		RM6,400
Contribution to the plan assets at the end of the period		RM6,400
Interest rate on 31 December 2016		10%
Interest rate on 31 December 2017		15%

Required:

In compliance with the MFRS 119: *Employee Benefits*, determine the appropriate accounting treatment and disclosures of the defined benefit plan in year 2017.

(16 marks)

Part B

Mr Jason is an accountant in Sky Berhad, a Malaysian listed company that engages in the construction business. The financial year end is 31 December.

Mr Jason is preparing the interim report as at 30 June 2017. He decided on several accounting treatments for the following financial transactions:

a) On 31 May 2017, Sky Berhad spent RM500,000 to acquire a trademark. As at 30 June 2017, the recognition criteria for intangible asset were not met. The recognition criteria were met only on 30 September 2017. Mr Jason decided that the cost of RM500,000 should be recognized as the intangible asset in the interim report as at 30 June 2017.

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b) Sky Berhad has the aquatic accessories as the inventory. The cost of the aquatic accessories was RM75,000. As at 30 June 2017, the net realizable value was RM65,000. Mr Jason discovered that the net realizable value on 31 December 2017 was RM90,000. He did not record the loss amounting to RM10,000 in the interim report as at 30 June 2017. He argued that it was because the net realizable value on 31 December 2017 was higher than the cost of aquatic accessories.

c) Sky Berhad has been donating to charity institutions for the past four years amounting to RM300,000 per year. Mr Jason recognized the donation expense of RM300,000 in the interim report as at 30 June 2017.

Required:

In compliance with the MFRS 134: *Interim Financial* Reporting, explain the appropriate accounting treatment for the above transactions and the disclosure of the interim report as at 30 June 2017.

(9 marks)

(Total: 25 marks)

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